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COMPLUTENSE
MADRID

**FACULTAD DE CIENCIAS ECONÓMICAS
Y EMPRESARIALES**

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**ECONOMICS OF THE GHETTO: DYNAMICS, REPRODUCTION AND
DEVELOPMENT POLICIES**

Autor: Daniel Jacobo Orea
Tutor : Rafael Fernández Sánchez

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ABSTRACT

The paper explores the universe of the ghetto from an economic insight, integrating on this task support from political, sociological and historical perspectives. Along itself, different factors of ghetto emergence will be deployed so that main features of it will consequently arise. These features are going to knit a more-than-it-would-seem complex and unique network of economic relationships, both inside the neighborhood and with other more affluent districts of the city; an intrinsic network of ghetto resources exploitation by outsiders, which is ensured through external mechanisms of reproduction that contributes to create a self-reproduction mechanism inside the ghetto core, which at the extent will suppose a overwhelming barrier towards local economic thrive. The essay finally concludes with a discussion about which are the mainstream policies applied on slum development and which is the suggested effective intervention paths, which are based on a clear removal of current shrinking and exploitative economic relationships.

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INTRODUCTION

Large metropolises are presented as the most visible face of the international economic framework. They seem to gather all the requirements to provide wealth creation to their home country and unlimited economic and professional opportunities to their same citizens. They are the dynamic centers of global and local economies and cultural activities. This nature makes them to experience opposite forces: economic animosity leads to resources depletion, intensive activities also can lead to degradation, and cultural diversity leads to segregation. Therefore, major cities presents this two opposite faces of the coin. Thus, the principal motivation of this work is the study of the hidden face, the less friendly face of these metropolises characterized by segregation, racial discrimination and the final outcome of social expulsion to those city districts known as “ghetto”; fact that might appear ironic if we have a look on its semantic root, from venetian dialect, “getar”, which literally means “to throw away”, and was applied for the sixteenth century Venetian Jewish district, where iron foundries were located and their residues were “thrown away” on this same place. However, I would like to remark that my interest lies on which can be considered modern ghettos, that is, those which arose from the late XIXth century onwards and are still present on our days; rejecting all that has to be with medieval Jewish and Arab quarters or European racial ghettos violently imposed by authoritarian regimes during the XXth century.

The aim of the article is to carry out a quick overview on the main literature about the process of “ghettoization”, to sort out some personal concerns and solutions on the topic, finishing with the formulation of potential paths of study to be followed. Thus, the structure of this work will follow an intuitive scheme, starting in the first section with a general description of what a ghetto is and its main factors of emergence, following with a second section where a more economic approach will be done, trying to sort out its main economic insights and dynamics presented in the literature. After this theoretical approach, and based on it, I will try to develop in the third section some internal and external mechanisms that support the replication of these districts on major cities. The fourth one is a miscellaneous and interdisciplinary section, where policies of development, minorities leadership role on the issue and most suitable and hopeful industrial activities to invest on, as cultural ones, are presented. Finally, a last section is reserved to summarize all results emerging all along the paper and possible ways of study on future work on the field.

2 ENTERING THE GHETTO: FRAMEWORK AND ROOTS

2.1 DESCRIPTION OF THE AREA

A formal description of these targeted metropolitan areas is deserved to be done in order to have a first and accurate delimitation on the study field. I consider on this task a modern ghetto as a urban district, characteristic in relatively large cities, that works as an enclave, voluntary or involuntary, but not definitive, for disadvantaged economic and racial underclass social groups; which has been arose by cultural, economic, political and historical factors, creating an informal selection process since the end of the XIXth century, and where a network of internal and external mechanisms contributes to its self reproduction and persistence till our days. I will devote the following chapters to thoroughly explain its main characteristics, factors of emergence and mechanisms of reproduction.

It is also worthy of being remarked that these districts have developed a relevant evolution through the whole century to our days, along which they mutated, diversified, expanded, changed their inhabitants, or even disappeared. In addition, Fusfeld and Bates (1984) points out that the ghetto can be unfolded in two alternative concepts of itself: the racial ghetto and the poverty ghetto, corresponding to the two most clear characteristics of a ghetto. However, they don't seem to geographically fully coincide. Instead, the poverty ghetto is overlapped by the racial ghetto, since population from advantaged ethnic groups might be present within its poverty boundaries, and, in the other way, ethnic groups subjected to racial discrimination might inhabit in middle-and upper-income areas of the city.

There is not a clear geographic pattern where ghettos are commonly set. It seems that North American black and Hispano ghettos tend to be established in the downtown and inner city areas, due to a process of "white flight" of wealthiest white citizens to affluent suburbs in order to look for self segregation and escape from what they considered deteriorating areas. Thus, a clear pattern of geography of income levels arises. However, this pattern is much more ambiguous in European cities' urban distribution, where typical affluent neighborhoods and deteriorating ones might get melted across their streets due to a new rise of inner city recovery by citizens, among who a trendy feeling to recover them arose.

Finally, these areas, mainly due to poverty and marginalization, are strongly characterized by the presence of crime, drug addiction, organized gangs, anger and, at the end, violence.

2.2 MAIN FACTORS OF EMERGENCE

The task of sorting out the main factors of emergence of ghettos might appear easier than it eventually comes out to be. I tried to design three classification groups on which fit the main factors of ghettoization and segregation remarked by the used literature on it. Thus, historical, economic and cultural factors might seem to be the most accurate distribution to address the task. Although this straight-forward classification, it is a constant pattern that most of these factors are transversally influenced by one or two of the other delimited groups of factors.

A) Historical factors

-The rural exodus

As a first attempt on discovering the roots of segregation, it is important to stand out that ghettos are not a recent urban phenomenon, but they have been accompanying the history of cities since long time ago. And one of the most relevant factors that undoubtedly trigger this process is the massive waves of immigration from rural areas to cities during the beginning of the XIXth, known as “the rural exodus”, due to evolutions on agricultural processes, which saved on labor force, and even more on manufacturing and industrial processes, focused on these major cities, where a greater accumulation of capital is done due to a great concentration of demand and consumption, technological advances and investment. Manufacturing industries, thirsty of low-skilled and cheap labor force, more than welcomed all these inflows of people looking for better living standards that the city may seem to provide better than impoverished rural areas. A good example to visualize this fact is the black migration from southern agricultural cities to North manufacturing metropolis, as New York or Detroit, at the end of the XIXth century. Cities from the “snowbelt” provide more warrantees for freedom than the south where, despite the fact that abolition of slavery has already taken place several years before, its patterns still stank on social and economic black-white relationships, legally based on the so called Jim Crows laws, which promoted the segregation between whites and blacks and other marginalized races on housing, schooling, public spaces and transportation. However, it is going to be seen that this initial segregation by race supported by a legal and historical stratus will derived in a mixture between self-segregation of undermined classes as a measure of protection and indirect discrimination coming from affluent classes, entering in the domain of the cultural emerging factors of the ghetto.

-International waves of migration

In a broader way, metropolises, both American and European, have been also an important recipient for incoming flows of foreign migration. Specifically, this migration flows have a clear direction pattern from developing countries to the main capital cities of developed countries, since they accumulated the greatest part of the country's wealth, institutions and labor opportunities, easily attracting these migration flows, and serving them as a first introductory step into the country. Major cities of developed countries hoard the greatest share of global economic power, as industrial manufacturing cities did on the national framework. Immigrants coming from developing countries might find the same motivations to move as peasants and rural population had during the agrarian exodus, enabling us to find a pattern of similarity between these two migrating trends. In addition, international trends of migration have an important cultural and historical perspective that rural exodus cannot present due to its inner nature of migration. Geographical factors, as proximity to home country, cultural factors, as shared language or life-styles, and historical factors, like still present friendly relationship between a metropolis and its prior colonies, may influence the history of international migrations across the XXth century.

-World Wars externalities

Every war creates a very special economic framework, based on an industry committed to satisfy the demand for products which can support all belligerent activities that are taking part. This "positive externality" has the capacity to boost the economy since an increase in manufacturing demand of all kinds (clothing, weapons, transportation, and other supplies) pumps up employment and, therefore, domestic consumption. For example, in the case of American slums, warfare times require from the "war-force" of the country's population, calling up for duty to a massive portion of adult males, which are also part of the national labor force. This destruction and shortages on labor force are incompatible with the new labor demanding situation of manufacturing industries. Therefore, these previously explained waves of immigrants coming either from the agricultural exodus or international flows, commonly low-skilled, supposed a cheap source which can replace any vacant left by men called to the army. This fact may influence to the concentration of low-wage and racial underclass in slums created around manufacturing factories. In this case, it is observable how a historical factor in the beginning is transversely derived and influenced by a purely economic factor.

Although these historical factors provide us consistent reasons to explain the accumulation of migration in cities, which increases the probability cultural clash

and racial diversity present in the city; they are not sufficient enough in explaining the reasons of segregation and ghettoization of some districts of the city.

B) Economic factors

-Job competition and racism

Free competition of labor markets, one of the archetypes of capitalist system, sets on together industrial employers, the holders of capitals, willing to set the possible lowest wage level, craving for larger profits; and the labor force, suppliers of their time and effort, which are willing to provide it for a wage no lower from their considered reservation wage to cover its basic surviving living standards. These massive waves of migration previously cited, either coming from rural area or from abroad, pushed by unpleasant economic and social factors at home, are more prone to accept lower reservation wages than those groups already established in the city, and industrial capitalists perfectly knew this fact. In Fusfeld Bates (1984) this job competition between different racial groups all belonging to the working-class, giving the example of North American cities since the end of the XIXth century, is graphically described. Blacks coming from southern agrarian villages were explicitly employed as strikebreaking measures to weaken Trade Unions bargaining power on wage settlements. One can think why did not, as it may seem obvious, black collective support white-working class strikes, and the reason lies on the initial hate of the former group to the prior due to their cooperation with patrons, excluding them from white-controlled Trade Unions. In addition, they fear of losing their jobs if they support unions, and get expelled jobless in the edge of poverty. Thus, this fact encouraged more black workers to break strikes, considering patrons the allies and white workers as the competition. This created a vicious circle of racial antagonism. Therefore, and according to (Fusfeld and Bates, 1984: 18) “one of the important origins of twentieth-century racism is the historic use of blacks for strikebreaking”. Finally, corporations, as always, get benefited from this antagonism, and far from avoid it, “they did their best to exacerbate it for selfish corporate purposes” (Fusfeld and Bates, 1984: 24). Therefore, free job competition is a source of racism, one of the main components on process of segregation for the racial ghetto.

-Industrial leadership

Manufacturing industries have been important agents on the change and evolution of every metropolis, since their economic and population boom were

caused in great part by the industrialization fuss that experienced between the late XIXth century and the first half of the XXth century. These industries were originally placed on the city center, either since the city has evolved around the industrial area, or to save in transportation costs. Massive migration looking for jobs on manufacturing industries started to establish around industrial complexes. As the means of transportation developed, the city started to get expanded and industrial tycoons found cheaper to move out from the city core their plants, since in this locations property taxes and land were cheaper, and the evolution of transportation solved the problem of expensive transactions from the industry to the consumers. There are two outcomes of this industrial decentralization. One immediate situation on which working class districts developed around former inner city industrial complexes seen as financial resources and economic wealth flies from the area, fact that leaded towards deterioration and contributed to the creation of poverty ghettos. Another long term situation, on which a creation of new ghettos outside the city as a result of this chasing phenomena promoted by the demand for low-wage labor of manufacturing industries.

-Economic apartheid

The previous factor serves as a link with this last and definitive factor on understanding the design of cities and the appearance of segregated ghettos. Fusfeld and Bates (1894) presents a pattern of city geography divided in three kinds of districts based on the income level of its inhabitants. Thus, metropolitan areas are classified into poor communities or poverty ghettos, middle-income districts and affluent quarters. This fact is explained by disparities in housing prices. The econometric study carried on in Borjas (1997), gives empirical support to this fact, proving that high incomes tend to segregate together on the same neighborhoods. As this groups has the greatest economic sources, housing prices will tend to pump up, as a purely supply-demand force, creating an economic barrier to lower income social classes. In addition, highly skilled persons, originally belonging to ethnical or economic disadvantaged group, as an impulse to thrive, also present a tendency towards less ethnical segregation and accommodation into higher income districts, pursuing potential positive spillovers which may be present on these districts. And this fact is no more than a clear pattern of life style choices. Choosing to establish in one part of the city or other embodies choosing with who households are living next to, with who are spending its leisure, with who their kids are sharing school and friends, with who they are going to grew up... Therefore, it is not about random territory distribution of the city, but about each social class destiny, on which their offspring would eventually replicate the income achievement of their parent's life. And, indeed, it seems that there is an intergenerational persistence on this, since, as Borja (1997) states, "children who moved out from parental

neighborhood tend to choose a new one similar in ethnic and economic composition". What it is being creating is a *société de l'entre soi*, rooted in patterns of income distribution, where again marginalized economic and racial groups are thrown away in a separated-to-mainstream-way-of-life ghetto

C) Cultural and socio-political factors

-Theory of "port of entry"

Ghettos are, from my point of view, the most genuine part of cities due to their condition of multicultural sponges. According to the theory of "port of entry", developed by Cutler, Glaeser and Vigdor (1997), ghettos may be used by new incoming immigrants as an initial stage in their integration into the city. The presence of ethnic groups of their own country of origin may be seen as a comfortable social atmosphere where one can find the reproduction of some cultural patterns, as language, food, religion, or just by the presence of friends that has been already established on it. It is very common to observe how, within the same territory ghetto, streets are thoroughly shared out by different ethnic groups. In addition, minorities may find on segregation the most efficient path of self-protection and mutual help, developing their own institutions which eventually could have some degree of weight in the city's government. "Tastes for living among members of one's ethnic group are strong for recent migrants" (Cutler, Glaeser and Vigdor, 1997: 18) In addition, this theory implies that some ethnic groups are even ready to pay relative higher housing rents than if they decided to established in other districts. However, this friendly approach of a springboard towards city integration may suppose a non-exit alleyway for others, which systematically will became the society's dropouts.

-Collective action racism

Ruling ethnic and economic social classes have been driving direct exclusive practices to ensure their own segregation from minorities. They can take different forms, as "specific policy instruments such as racial zoning or restrictive covenants.... or organized activities such as threatened lynching or firebombing" (Cutler, Glaeser and Vigdor, 1997: 19). Although the greatest part of these mentioned activities are generally not legal, since they straightly violate human rights, they were often practiced and even supported by governmental institutions at some stage of the city past, collaborating in the birth and growth of ghettos. In addition, as larger and more populated the city is, the more likely cross-racial clashes are, worsening the problem. Nowadays, this "collective action racism" has been smoothed and sophisticated towards a more

decentralized racism based on restrictive housing prices to low incomes, creating this recently explained “economic apartheid”, where ruling classes ensure their own segregation, hidden any trace of possible racism under the friendly veil of real estate free market.

Therefore, and once all factors have been plotted in the table, a straight classification of modern factors could be sort out. It seem clear that, once that the economic conditions of the ghetto has been historically rooted, the most important factors in modern cities for segregation are the cultural and socio-political ones. The port of entry theory is the one that most effectively describes the processes of segregation of racial groups. In addition, reurbanization policies carried out by local authorities tend to wipe out informal settlements (as favelas, chavolas, ranchitos, etc...) and centralized them in new inner city enclaves. Finally, decentralized racism through choice of living location well explains most recent segregation trends.

3. ECONOMIC DYNAMICS OF THE GHETTO

Once having set the main factors of emergence, a deeper incursion on purely economic components of the ghetto is worthy to be done. For this task, I may support great part of its weight on the set of features presented by Fusfeld and Bates on their work *“The Political Economy of the Urban Ghetto”* (1984), along with an additional full set of resources from other authors.

3.1 EMPLOYMENT

Labor force is, with no question, the most important asset and export on which the ghetto relies. Accumulation of labor is its main growth factor and the principal source of income for ghetto dwellers. Although there are not too much data supporting sources on labor describing factors, as employment, occupational distribution or average wage levels at the residential level; literature concerned on this topic has sorted out some important patterns that can be generalized on its study.

First of all, it is characterized by an accumulation of low-skilled and low-wage labor, devoted in menial services or occupation in manufacturing industries. For example, the most common occupations are those belonging to retailing, manufacturing, service industries or wholesale trade and, in extension, all low-wage economic activities devoting to the supply of needs of the city local economy. They generally hold full-time work contracts, but earning under or at the edge of poverty levels. This is due to the nature of the industry where their labor force is being employed. Low-wage industries are characterized by the utilization of labor-intensive technology, little capital investment and low labor productivity and profits. In addition, these industries are sensitive to fluctuations

on prices due to high elasticity of its demand. Therefore, high competitive markets and labor intensive nature of these industries force them to operate via low-wage competition. Persistent unemployment in slums and low educational standards, intrinsic characteristics of every ghetto, provides their population no too many professional options to thrive and to exit this secondary labor market. For the great bulk, low-wage labor is the sole possibility, without incurring in irregular and/or illegal activities, since they have no access to increasing human capital sources, via professional training or education, which may enable them to climb in the professional hierarchy, besides this persistent unemployment that forces them to accept low-wages in order to cover most immediate needs, replicating and preserving poverty. And those ghetto dwellers which have the chance to attain high skill levels that may promote them to higher paid jobs tend to move out of the ghetto, incurring in a subsequent drain of human capital. (Fusfeld and Bates, 1984; Borjas, 1997)

Second, high rates of unemployment are persistent within the ghetto active population. Even in expansive growth trends for the whole national economy, unemployment rates present around double numbers than the national level. An important factor is that most of the labor force is employed in sectors sensitive to seasonal and cyclical economic trends, which commonly operates, as it has been already stated, via saving in labor costs, both lowering salaries or destroying employment during economic contractions. In addition, these high levels of unemployment are inflated by discouraged people that feel extremely difficult to find a job, those that prefer to take the alternative of working on the framework of irregular economy. Besides the fact that there are a considerable part of employed people that works in a part-time basis, which may desire to have a more stable and greater remunerated full-time job. Thus, Harrison (1974) finds in all these facts-discouraged workers, irregular self-employed, persistent unemployment and part-time workers- an accumulated vast pool of underemployed ghetto active population. As it can be seen, underutilization of this pool of workers, persistent unemployment and low wages are factors that strengthens each other. People are able to reduce their reservation wage due to the existing residential high unemployment rate, and low-wage industries on where they can only find a job due to low-skill levels take advantage of this situation, reducing labor costs.

Third, great part of ghettoites' income is based on irregular economic activities, either as a complement to its regular wage or as an alternative source of income. Fusfeld and Bates (1984) finds the supply roots of this kind of alternative self-employment in two factors: weak purchasing power of slums dwellers to pay for usual regular services which require higher-income levels, and the lack of business inside these districts that can provide necessary services. The main characteristics of this kind of labor are "informal work patterns, the creation of a network of occupational skills unique to ghetto life but

have little significance for jobs outside the ghetto and the acquisition of skills by workers in nontraditional ways” (Fusfeld and Bates, 1984 : 164). This kind of alternative labor may comprise activities as informal fixers, product developer, artists... Finally, some advantages and disadvantages can be found on this kind of occupation. Among the advantages, there is no accounting record on this activity, relieving from tax weight that decreases available income; provides an extra source of income supplement to regular wages; and gives an individualistic perspective of work and a sense of control over his existence that regular work may alienate. However, some drawbacks are also found, as the encouragement of patterns of behavior at work in the individual that does not fits in the regular labor market, making its potential integration on it difficult. In addition, irregular activities may not improve skills and intelligence, demonstrated by this self-employment capacity in such imaginative occupations, as the regular framework can do via accumulation of physical and human capital.

Four, there is a very low degree of unionization among the ghetto labor force. Industries on where this labor force operates belong to such a competitive and oligopolistically structured market. Retributions to workers are set at minimum wages levels or below. The fact that there are few Trade Unions that watch over ghetto working class reinforces this low wage pattern. The reasons of this low degree of unionization may rely on low levels of human capital and education that suppose a barrier for the necessary intellectual stratus that support these institutions, both complemented with the permanent nature of ghetto unemployment that make it difficult for unions to reach a strong power position from which bargain with corporations.

3.2 ENTREPRENEURIAL MATRIX

Business presence and configuration inside the urban ghetto corresponds to its own main characteristics that have been already commented. Persistence of poverty among its population, drain effects of sources, underemployment and hazardous environments consequently created builds a special entrepreneurial matrix inside ghettos.

A first characteristic to be remarked is the insufficient extension of businesses inside the ghetto. Weak local market, created by low-income levels and unemployment, does not provide attractive profit levels, discouraging the accumulation of capital, necessary to the firm start-up, via either local or non-residential investments. Therefore, it can be observed a first situation of lack of supply of the most basic goods and services. For example, American ghettos experience a special phenomena called “nutritional deserts”, which consists in the absence of supermarkets, groceries or other alimentary business, which may be able to supply the necessary healthy food for ghetto residents, in an area of up to two square kilometers (U.S. Department of Agriculture).

Subsequently, deficiencies in basic goods supply leads to a kind of concentrated oligopolistic situation, on which exploitative business practices are common since poor customers often have few alternative sources of supply. Supplies prices are over rated and ghetto merchants offer the opportunity to pay on credit, but at incredible high interest rates, knowing this no-other-chance situation of ghetto customers, reinforced by the their lack of access to credit coming to regular financial institutions. Businesses inside the ghetto incurring on these kind of practices are commonly run by non-ghetto residents.

However, businesses run by minority entrepreneurs are less prone to enter in exploitative consumer behaviors due to a deeper sense of community. Sectors on which this model of entrepreneurship commonly appears are basic and low-initial investment demanding, like small-scale retailation and personal service enterprises, as barber shops or beauty salons. This business pattern is a clear consequence of the factors of emergence previously explained. Discrimination in the labor market makes difficult for ghetto entrepreneurs to accumulate the necessary initial capital to start-up a more complex business. Additionally, this discrimination reinforces unemployment and low-wage patterns, creating poverty, the breeding ground for illegal activities, crime and violence. This hazardous environment make ghetto businesses riskier than other outside ventures, building higher barriers to find credit for ghetto businessmen. Reinforcing this situation, limited educational opportunities for ghetto youth suppose a handicap for the attainment of necessary managerial skills that may require more complex businesses. However, larger cities may provide the enough potential to expand their opportunities by virtue of greater flows and accumulation of capital and larger employment opportunities, helping to attain the necessary initial capital. In addition, and as I will develop on section 5, some government financial help, managed in an optimal way, can improve their performance.

Finally, I would like to mark up the impact of minority-owned financial enterprises. Its main and direct positive impact is the amelioration of the drain of resident savings from the ghetto. Traditional financial institution attract them without any feedback in the form of loans to local borrowers, investing in most expanding economic activities and profitable projects, which are more likely to be found outside the ghetto community. However, minority-owned financial firms' customer target are local ghetto borrowers, fostering, thus, inner economic activity at some extent. They provide an alternative to these borrowers which constantly knock their heads with constraints and barriers on credit and high interest rates imposed by regular financial institutions due to either discriminatory attitudes or high risk rates, accumulating and investing locally the same community savings so that economic development could take part. However, targeted customers, indeed, present high probabilities of default due to low per capita income and unstable employment, making these

institutions riskier and less profitable than traditional financial ones, fact that explain their scarcity in number. But those able to get consolidated not only have the capacity to provide dynamism to the ghetto economic activity, but also may enjoy profits coming from the low competition present in the sector.

3.3 THE ROLE OF CRIME

Illegal economic activities within the framework of irregular economy and violent crime are relevant features inside the ghetto environment and worthy to be developed since it supposes an important key on the reproduction fuss which is going to be dealt in the upcoming section.

Two groups of activities are present on the hustle universe of the ghetto: those income-oriented occupations, as illegal gambling, loan sharking, narcotic and stolen goods retaliation and prostitution; and, on the other hand, there can be found other kind of illicit activities which are involved in a higher degree on violence, as manslaughter, forcible rape, and violent property crimes as robbery or assault. In this introduction, I will give more weight income-oriented group since it is the most interesting for a purely economic first approach, being the second group both an outcome and self-reproduction source of this special socio-economic framework though, which will get more importance in the following sections.

Among income-oriented illegal activities, I would like to stand out the two most active and representative dirty businesses present on a common economically deprived urban ghetto: drug-smuggling and loan sharking. Although narcotic trafficking works in retail, it may provide high and profitable turnovers to offenders. Lax police control and recorded high consumption rates makes the ghetto a friendly environment to the activity, besides the fact that supply and demand are usually intertwined among their active agents. In addition, it may support other illegal activities inside the ghetto as prostitution and distribution of stolen goods, generally subtracted from the same communities. These intra residential drug related property crime and fear for children's health give this activity low community legitimacy. However, it is still a major source of illegitimate opportunities, especially among young people. Loan sharking consists on the practice of extending short-term loans, generally in cash, at exorbitant interest rates. This activity is nourished by the stylized fact of barriers to regular credit flows often imposed to ghetto dwellers, who have to call for this alternative source in order to satisfy their most immediate economic emergencies.

Reasons underlying criminal economic activities may reside on the configuration of ghetto labor market opportunities and unemployment rates. Criminal industries plays a role of supplementary employment and income to regular occupations that might not be enough to cover a ghettoite surviving budget, as it has been already stated. An alternative perspective goes far

beyond the typical statement of poverty as the root of crime, which is that (Crutchfield, 1989; Humphries and Wallace 1950-71), advocating that urban labor stratification into a dualistic labor market, composed by a primary “professional” sector and a secondary “menial” sector, contributes with the subsequent urban and social distribution of crime. According to this approach, unemployment and low educational levels characterizing ghetto dwellers lead them to occupy secondary sector jobs, which are composed by peripheral economic activities, characterized by their dead-end nature, with lack of perspectives of professional promotion, unstable and poorly paid, and free of strong ties with their coworkers and place of employment. In definitive, the typical bad jobs rejected by advantaged groups. Based on the fact that the nature of employment influences on lifestyle standards via income, social networks and career patterns, secondary sector jobs’ nature contributes on the creation of fertile strata for criminal behaviors on its holders, eventually extended to the full community’s lifestyle through an informal segregated design of the special workforce composition in the area. . Scarce labor opportunities and low perspectives to thrive on the labor market hierarchy given by their position on labor stratification, besides poor local economic conditions, may force community residents to engage these kind of illegal activities, being these two factors causes and results for crime.

Unhopefully, crime is an integrated part of the ghetto economic system, and as long as system’s economic relationships are not change, it will remain. After this first economically oriented contact, further incursions on the topic will be made in the following sections, since it has been set clear its crucial role that plays on the ghetto environment. Both its self-reproduction mechanisms and its contribution also on the reproduction of deprived urban areas are going to be present on section 4, though it is not an easy task to clearly make a separation on them due to their holistic presence on these districts. Current policies fighting against it and academic proposed orientations to them are presented in section 5.

3.4 GHETTO ECONOMIC CIRCUIT

After having set all the principal agents that take part on the modeling process of a self internal economic framework of the ghetto and on the insertion of this economic unit on the full urban economy, a dynamic economic circuit sprouts by itself. This circuit is based on a core, which is the same ghetto intramural economy, and on two main streams with the rest of the city, one moving in an inner-ghetto direction and the other in the opposite way. Thus, the core of the economic ghetto is based on a low levels of income that leads to an existence of a weak body of consumers, an scarce entrepreneurial matrix moving on the legal framework, which is not able neither to supply effectively goods and services nor to give employment opportunities to locals, fostering the creation of an alternative source of economic relationships under an informal and out-of-

the-law framework by virtue of complementing the lacks of local legal economy, but implying the presence of criminal businesses and practices.

Orbiting this central core, two main streams of income and wealth act, crossing from one side to another this main body. The first one corresponds to the inflow stream, mostly composed by low wages earned by ghetto dwellers devoting their effort on secondary labor market occupations carried out in other parts of the city, shared with a small portion of high-skilled of community residents that do not make the choice of moving out the ghetto as it is usually observed, providing their communities with an inflow premium, generally testimonial, on the form of higher wages. Finally, transfer payments and services provided by the government contributes with at some stage with economic sources for ghetto dwellers, though sometimes they are not either being transacted the most appropriate way or do just not provide the desired positive effects. Upcoming explanations on these source of income inflows will be dealt in following sections.

The second important stream is the one moving from the inner ghetto outwards, having as receptors other more affluent districts of the city. A great portion of those income inflows drains out as they enter, via housing rents to non-resident landlords or via importing these lack of supplied goods and services from other parts of the city, generally implying the movement of ghetto residents to get them. Great drains of capital are also subtracted from the core via savings on traditional banks outside the ghetto, not providing the same level of feedback on the form of credit to residents, which conversely find tons of barriers to access to them, having a final situation where ghetto dwellers' capitals in the form of savings are channelized to, again, other more affluent parts of the city. Finally, a common crowding out effect among those with higher skills, who tend to quit the neighborhood and reallocating their residence into less segregated areas which can provide them greater spillovers and opportunities to the future stability of each household (Borjas, 1997). This fact again drains out human capital from the community. Outflow stream produces a drain effect on the core of the model, which at the same time will be presented as a mechanism that contributes to the persistence of poverty on this areas and ensures its continuous reproduction.

The final outcome which remains inside the core-ghetto after the interaction of inflow and outflow streams is residual or internal spending, depending on the point of view but in no ways as a consequence of inexistent internal income creation, which will circulate around the economic inside agents conforming the inner economic structure of the ghetto, reinforcing the already created relationships which will reproduce the system as long as they are not diametrically changed.

4 MECHANISMS OF REPRODUCTION

With all these basic assumptions that have been made all along the paper about sociological and economic nature of the ghetto, its factors of emergence and the basic external and internal forces that operate on its dynamic flows integrated with the other parts of the city, some articulations that lead towards its reproduction and persistence can be drawn. Thus, the framework through which they are going to operate on has a symmetric model divided by internal mechanisms of reproduction and external mechanisms of reproduction. Basing my arguments on this sketch, the external ones are the creative sculptors of ghetto segregation, whose chiseling pursues the underlying economic and social benefits coming from segregation of the disadvantaged others, thoroughly ensuring its preservation. On the other hand, internal mechanisms just contribute to its self-preservation via a vicious circular causation based on deeply rooted local stylized factors that suppose a severe handicap on the path towards the end of external exploitative behaviors coming from the whole city that will bring urban successful integration to the ghetto and, eventually, will lead to eventual prosperity for the community.

4.1 EXTERNAL MECHANISMS OF REPRODUCTION

DRAIN OF RESOURCES

The Ghetto unit of the urban social and economic integration is articulated in a clearly disadvantaged way. As it has been explained on previous section, there is a special economic dynamism on the core of this unit, where different external forces cross its nucleus. The outward flowing force implies an explicit drain of resources from the ghetto to other outside urban units, often in a higher situation of power of action. As it has been already stated, these leakages come from absorptions on human resources, capital and income by other parts of the city. Consequently, all necessary and fertile economic inputs and factors which may have the capacity to transform the community on the path to thrive do not remain the enough time for this event to occur inside it. These communities are deprived to the share of its most talented and skilled population that is able to contribute on the positive evolution of the ghetto economy through potential spillovers they may provide and reinforces negative segregation of those who remain on it; they are deprived of the essential capital necessary on the building of an internal, minority-owned entrepreneurial matrix so that income leakage either via imports of products from out of the ghetto or via non-local owned businesses could be plugged. In addition, drain of capitals avoids its potential investment in housing ownership and reconstruction of decadent real estate which may suppose a dynamic motor through the amelioration of neighborhoods conditions necessary to attract new opportunities to thrive by virtue of more skilled and affluent population, businesses and capitals. As we can see, outflow streams negative effects overcome any trace of positive inflow

streams in the way of low-wages and transfers, reinforcing the stylized facts of the ghetto based on low income, unemployment and low levels of education which, as it is going to be seen, close the circular causation of poverty inside the area.

COERCED LABOR

Unemployment and underemployment in secondary labor market sector, supplier of general low wage labor, have been seeing an archetype for ghetto locals. This fact may reside on an external mechanisms articulated from outside the community with the aim of preserving a share of urban citizens holding this kind of menial activities which are the end are necessary for the well operation of the same city. However, another more obscure incentives may underlie on these fact concerning the maintenance of constant low cost living standards and high wages on primary labor market occupations traditionally held by ghetto middle-upper class outsiders. This mechanisms works in a very graphical way (Fusfeld and Bates, 1984). As it has been already set, two kind of labor market exists: the primary and the secondary, providing given wage levels. By building unidirectional barriers from the secondary to the primary labor market, the most disadvantaged portion of the urban labor force is deprived from the participation in the primary market. This fact will tend to reproduce a crowding in effect of ghetto dwellers towards secondary labor market, having as a consequence two shifts of both primary and secondary labor market supply in an alternative way. Thus, there will be an increase in the supply of secondary labor market, with the outcome of increasing labor and decreasing wage levels. On the opposite way, barriers to entry on the primary labor market reduces its supply of labor, increasing thus overall wage levels. Therefore, we find a final situation of segregated employment on which the rich are richer and benefit low cost living standards coming from this decrease of wages provided by menial services of the secondary market, and on which the poor are not only still poorer but discouraged and more prone towards engaging in criminal activities. And the trigger of these mechanisms are these same barriers which have such a recognizable face. Racial and exclusive practices made by employers, low educational levels necessary to enter in the primary labor market which implicitly comes from this drain of ghetto capitals previously explained, and the lack of the informal social networks, as workmates, friends, family, which may lead to the primary market labor on ghetto dwellers, due to its persistence on the secondary labor market and neighborhood segregation; are the most important pieces on this clockwork mechanism.

STRUCTURE OF THE POWER

The institutional factor has been thoroughly studied, both empirically and theoretically, as being an important factor on the reproduction of urban segregated and unequal areas (McGahey 1986; Harrison 1974). They have

very little, or any, representation on the official city decision making power structure. To begin with, it is very unlikely that a ghettoite, who may be biased towards its community development, reaches not only to be elected as the city major, but to just present its candidature due to obvious lack of resources. From this point, city major's involvement on this task is essential. It is likely that, without any external political support, the ghetto will reproduce its conditions, lessen its possibilities to succeed. And the odds that a non-involved city major take over are high through mere statistics on the election process, since the bulk of a city voters belong to the rest of more advanced city districts, whose vote is biased towards the candidate that will ensure their economic and social interests, which may come from the segregation of others and for sure clashes with those of ghetto dwellers who, due to its nature of marginalized population, holds a minor share of voting power. In addition to this, highly bureaucratized urban systems may suppose an important barrier on providing the ghetto with the public part of the inflow stream composed by government services and transfer payments. Besides, through an effective mechanisms of "revolving doors", which consists on the private enterprise and public bodies managerial inter-swap, where minorities take no part, middle-high city classes economic and social interests are assured, paying no attention, or even reinforcing, to the ghetto problem at all. Finally, the lack of organized political collectives among these communities, which can make pressure on urban policies creation process, does not provide any of the necessary support to change established economic relationships, which are exploiting and segregating ghettos and ensuring other higher class districts beneficial and comfortable living standards.

SOCIÉTÉ DE L'ENTRE-SOI

The last external mechanism I observed along this study is the informal process of urban social classes segregation through the already commented choice of location phenomena. Through this process, each household looks forward the reproduction of its intergenerational living standards, deciding to locate in one neighborhood or the other according to its own criteria of this reproduction achievement, and with a given budget constraint. Therefore, it emerges a situation of similar socio-economic level household segregation, designing this cleared sketch of level of income district city map. But not all households have the same power and position of choice. It is clear hierarchical income pattern on this, being higher income households the first ones in segregating together. This fact implies, thus, that both the last ones in this hierarchy have the destiny to be forced to compose a community by virtue of mere social and economical dismiss. At the extent, this mechanisms transforms the ghetto as simple depositories of those that either do not fit in the mainstream urban way of life or simply do not attain the necessary level of resources to fit on it. And the most effective trigger of this mechanisms is different housing rents of each neighborhoods, through which each one's prices remains constant according to

the purchasing power and the willingness to pay of the social and economic group that invades the corresponding district. Besides this factor, there are also other kind of social and economic barriers, like decentralized racisms or even explicit collective actions carried out by upper classes to ensure its self-segregation, factor that has been already treated on section 2. Having gather all urban rejected individuals through external informal mechanisms in a determined area implies the indirect creation of the proper conditions for neighborhood self-internal reproduction, which will be immediately be treated. Therefore, two perspectives coming from this factor can be get: hierarchical segregation doom the bottom class to its ghettoization, or there is an explicit rejection of those which cannot follow the mainstream urban way of life to marginalized areas; reinforcing this segregation with social and economic barriers between already done neighborhoods. It is, thus, somewhat clear that, though there is a clear self-reproduction of ghetto conditions, they cannot take place before segregation by rejection has been previously done by external agents.

4.2 INTERNAL REPRODUCTION MECHANISMS

CIRCULAR CAUSATION OF POVERTY

Conditions of poverty, discouragement, depression and degradation created through these processes of negative segregation via rejection contributes to the self-reproduction of themselves, creating thus a vicious circular causation for poverty from which it is difficult to escape. It has been stated that ghetto dwellers are likely to hold jobs from the secondary labor market, which provide not only low wage levels but also low perspectives of professional promotion and, thus, engagement. As a consequence, this lead to disequilibrium and erosion of households' structure, which derived on destabilization of the family core and on the acquisition of low living standards. This contributes on the building of the worst community environment that helps to create those deficiencies on locals' behavior and capacities, as low nutritional levels, high schooling failure rates or engagement in criminal and illegal activities; without which the community would grow towards self-improvement. All this deficiency creation process, added to inadequate public services and deficiencies in the educational system itself, are finally traduce on low productivity levels, obviously only concerning to those who choose to work under legal labor framework, which will again be traduce in stagnation on low income secondary labor market occupations, reproducing the poverty cycle and reinforcing, thus, forehand explained created special conditions for the ghetto.

THE FEAR AND PERSISTENCE OF CRIME

Persistence of crime as an stylized fact for ghettos may imply several sources for the self-reproduction of its own model. Once a urban area has been consolidated through external mechanism as a ghetto, conditions for crime to

arise and to endure are bound to appear. A circular causation of poverty may be harmonized with a cumulative causation for crime persistence, even more among the youth. Erosion of social institutions, as inadequate family structure, common in impoverished neighborhoods, accompanied with existing economic pressures, contributes towards the failure of any source of children control, which evolves in schooling failure, an overwhelming barrier towards labor market. Therefore, inadequate adult employment, which cannot provide young people with the necessary professional influential networks on the labor market, impending needs of income, and other social factors, as peer group pressure effects, fosters eagerly engagement of the youth on criminal income oriented activities. And this fact is reinforced with the existing information paradox, consisting on more knowledge and better awareness about those opportunities and mechanisms of criminal and irregular economic activities rather than information about legal labor market framework. Once crime is rooted on a district, negative externalities based on its repellent effects on location choices are derived, having negative effects on the path to improve the local economic situation. First of all, it negatively affects location choice of high skilled or upper-classes citizens, either coming from outside or inside the ghetto. Those people may bring with them positive externalities and spillovers that have been empirically demonstrated can contribute to dispersion of segregation and to the economic and social thrive of the neighborhood (Borjas 1997; Cutler and Gaeser, 1995). However, violent and illegal practices inside the ghetto dilute this positive inflow of population. In addition, it lessen the creation of a legal and fair entrepreneurial matrix, since crime implies high risk rates that makes the establishment of any business in the ghetto area a dangerous venture, discouraging potential entrepreneurs to start-up a business in the area, choosing other locations for it. Summarizing, this day-to-day situation created by the persistence of crime produce information about risk and a feeling of insecurity and distrust on the area, being even more avoided, forgotten and, in some cases, loathed by the rest of the city, which gradually would provide it less and less and would absorb, if still exist, all kind of useful resources, reinforcing thus its ghettoization.

5. ECONOMIC DEVELOPMENT: ALTERNATIVES FOR THE GHETTO

In order to complete a full assessment on the study on the economic universe of the ghetto, I find worthy to devote this last section to political attempts on all the previously exposed challenges. For this, a first presentation of mainstream policies is going to be done, with some criticism coming from the working literature. Consequently, alternative policies following the line of beating with the existing exploitative inter-district urban networks will be presented, finishing with a personal proposition of a key industry that may help on the achievement of

this goal, and with a quick empirical example of the Bedford-Stuyvesant community in Brooklyn.

5.1 MAINSTREAM POLICIES AND CRITICISM ON THEM

About transfers

Transfers has been used as the straightest welfare policy used by governments on the assessment of persistence of ghetto poverty. This transfers consists on a mere injection of income, via credit lines or subsidies on most basic facilities, as food or medical care. In fact, it do suppose a great and valuable help to ghetto households for their survival, but as several academics have stated (Fusfeld and Bates, 1984; McGahey, 1926; Harrison, 1974), transfers only make life less tough for the poor, but they do not end up to attain the removal of the real causes of poverty, which, as has been already seen, relies on a deeper economic relationship network. Fusfeld and Bates present this policy as a pure stabilizer of the inflow-outflow balance of the ghetto economic dynamic, balancing the drain of resources and income that characterizes it. In addition, they state that there can be embedded further interests on maintaining a certain “transfer survival level” which may ensure the so desired pool of low-wage ghetto labor force, at which survival living standards are ensured, eroding incentives of searching for a job in the regular market due to a persistent feeling of frustrated opportunities on professional success and to hustling practices of engaging into irregular labor so that no records on wages are done, being accessible to this transfer inflow. At the extent, it is clear that government transfers are not bad, since it is a useful source of income for ghetto locals, but this kind of policy not only does not change the poverty and exploited situation of the ghetto, but also it plays an active role on the current dynamics and reproduction of it.

On employment

Fostering employment opportunities among ghetto locals has been also one of the main concerns on which policies are commonly focused. Trough this programs, as so-cited *Model City Program* carried out during the 60’s in the U.S. (Harrison, 1974), local authorities deliver some opportunities to ease the involvement of dispossessed neighborhood residents to the regular labor market from an individual approach, with the aim of redistributing opportunities among citizens. Two principle areas of action are targeted: education and professional training, and creation of specific public job opportunities for a certain social area. Programs providing professional training attempt to provide a certain scope of skills through special workshops which may both give the additional professional formation that without public funds would not have been done and encourage them to engage in the regular labor market, either by providing them with the idle information about real opportunities on this market and fostering the optimism on the fact that it is possible to find a good and licit

job. In addition, public agencies offer vacancies specially targeted to individuals belonging to minority communities, as it is described in Harrison, 1974 during his study on the Model Cities Program. The principal aim of this programs is to decrease the persistent over-rated unemployment rates on the ghetto. However, some inefficiencies and failures are likely to appear, as Fusfeld and Bates and the same Harrison record on their work. Despite of the fact that local administrations specially offer this vacancies to minorities, members from non-minority groups access to this jobs and, indeed, earn higher salaries than targeted residential locals. According to Harrison, this may be due to administrative and bureaucratic barriers imposed on the consecutions of this vacancies and the existence of a strong major without an active position on ghetto development, which is empirically demonstrated that have a negative correlation with the participation rate of minorities in these programs jobs. However, I personally find this fact purely testimonial. The greatest drawback that I consider these policies on employment have is, again, a clearly oriented nature on the crowding of ghetto resident on menial and secondary labor market occupations, which has been told to be a reproductive feature of the ghetto. Although these programs are not bad in the sense that they can be considered as a new opportunity to this high-school dropouts to an unemployment and irregular fate, they are not fair enough to change the overall situations. Besides the fact that they may incur in a drain of human capital effect if the individual attains an unexpectedly success, tending to run away from the ghetto in the pursue of other more affluent neighborhood spillovers (Borjas, 1997), leaving the rest of the community in a greater situation of ghettoization.

Summing up, these two set of economic policies helps to alleviate simply the symptoms of ghetto poverty, meaning a great support to its dwellers. However, if the aim of the policies is to develop and enhance economic conditions of the ghetto and its individuals, not only they do not satisfy this objective, but also helps to reinforce some of the conditions and mechanics for its reproduction; without taking into account the devoted large amount of funds relative to the final outcome on ghetto prosperity. Thus, a further insight must be carried on the topic. The root of the problem has to be focus, and it appears to be clear that these policies got to address on the challenge of changing the economic relationship networks created around and inside the ghetto if its improvement is the desired outcome.

Criticism on policies on crime by McGahey (1986)

On his dissertation, MacGahey develops a complete discussion on how public policy affects crime rate, both in a direct and indirect way; how some current policies does not end up addressing well the issue, and proposes some hints on the way that ghetto crime should be treated from a economic and political perspective. The starting point is that standard policies treat the topic either from a individualistic point of view or from a over-weighted macroeconomic

perspective that escapes from the city boundaries. For example, employment programs also have the objective of reducing criminality, but the experience showed that they do not improve residents labor market outcomes, that employment and crime is not correlated at an individual level but an aggregate, and that policy designers do not end up to understand real dynamics between employment and crime. Due to this inaccuracy on policy design, programs not only fail on the pursue of reduce unemployment but also on the fight of criminality removal. Thus, "programs are only another temporary stop in the dead-end urban labor market and become another errating source of low income along with ill-paying jobs, transfer payments and crime" (MacGahey, 1986: 257). He follows the line that this paper and states that it is necessary to treat the neighborhood as the unit to be targeted on the design of those policies, since it is the meeting ground of all individualistic behavior, broad socioeconomic forces and physical infrastructures which shapes patterns of crime. So, it is obvious that the major effort to clean slum communities from delinquency and crime needs to be done on the reorganization of the same neighborhood. And to the achievement of this goal, he proposes new coordinated community-based programs that would involve residents in different activities, including employment programs, recreational efforts and community organization.

Finally, a wink on police repression method criticism deserves to be done. There is a paradoxical situation on the dichotomy ghetto crime and police action based on the fact that, while there is such a few presence of the forces of order inside the ghetto, linked to low income resources and interests for its maintenance inside the neighborhood; there is a faded police security operation surrounding the area to ensure that ghetto crime remains in its enclave without spreading its undesirable realities to the rest of more affluent districts. Examples of brutal police repression on ghetto riots as the ones occurred in Detroit in 1967, or more recently in Paris and London suburbs in 2005 and 2011 respectively, or despicable incursions of Rio B.O.P.E. in the favelas, more in the line of the army rather than a standard body of municipal cops; witness this fact. Studies on the reinforcement of repressive police action as a policy to fight against crime in the ghetto have delivered negative support on the correlation between increasing police repression implying decreasing rates of criminality (Harrison, 1974; Humphries and Wallace, 1980). Instead, what it seems to be more accepted is the reinforcement of informal social controls as a preventing measure of crime, which comes from a stable environment of the neighborhood as a consequence of economic prosperity and not from criminal repression.

What is really necessary is to carry out policies targeted on the economic conditions of the ghetto poverty, which are the real ones that reproduces crime. Not to fight the branches of crime, but its real roots.

5.2 ALTERNATIVE POLICIES

Previous policies have been presented as mere plasters on the superficial symptoms of the ghetto economic and social disease. Fustfeld and Bates and McGahey propose a bunch of policies on the line of breaking up with the economic relationship network which is exploiting and parasitizing from ghetto potential wealth. And they are based on a pure redistribution of income and opportunities through the removal of the conditions that makes poverty be persistent: high unemployment rates and stagnation on secondary labor market, low-wage rates and barriers to financing businesses and consumption.

The first target proposed by Fustfeld and Bates is the achievement of full employment, that is, removing high unemployment rates to those who are willing to work through more specific employment programs. The proposed tools are applying monetary and fiscal policies that may bring unemployment rates to frictional unemployment levels for the rest of the city; and bringing special training for employment success exclusive for ghetto residents in a more efficient way so that it can bring their inner unemployment rates down to the levels of the rest of the urban economy. In addition, McGahey advise that it would be worthy to directly promote ghetto fair employment in this pursue, through financing and gifting with tax exemptions to those private sector firms employing ghetto residents with fair contracts. However, this objective have its drawbacks: it may create inflationary effects on the economy as a consequence from monetary and fiscal policies, and it needs a mass scale budget of public resources.

The second target to be fixed is the revision and extension of laws concerning minimum legal wage, gradually updating it above the poverty line, adjusted to CPI. Policies on the pursue of this requirement rely on reinforcement of labor laws, strengthening legal punishment to these employers offering contracts below this line. Fustfeld and Bates advocates this two targets as the fastest way to beat persistent poverty and depressed conditions of the ghetto. However, these policies might be implemented during a short period of time in order to experience the greatest degree of impact on the ghetto, and might be carried on during economic expansions, since these policies may constraint employment capacity of firms, minimizing its negative effects in the overall economy.

Some employment training programs were criticized in the previous sector due to the way they are delivered, from a standard and really basic perspective aiming to the delivery of ghetto labor unemployment to secondary labor markets, forgetting about raising up their productivity through a more accurate skills updating training, which in section 3 had been presented in low levels for ghetto residents, supposing a barrier on the transition from the secondary sector to the primary sector. If these programs are able to increase residents productivity, they not only will be able to access to higher paid jobs that usually

require higher human capital and productivity, but provides a feedback to the entrepreneur which may rise its investment on capital, increasing the output per worker, transforming into higher raise on wages. In addition, this kind of programs require lower resources than public employment programs. Finally, additional support to these policies may consist on gradually transferring minority group individuals employed on public agencies to the private sector, promoting and fostering this kind of employment through incentives to firms; policy that helps to reduce the cost of full employment and minimum wage programs.

But the final and most desirable outcome of any kind of public intervention might be concerned on the creation of a new economic environment inside the ghetto, able to achieve the desired level of economic development that can beat with poverty and depression among its society. For this, direct and straight actions must be directly applied on the creation of an effective, fair and committed entrepreneurial matrix, which would provide the necessary employment for its residents, raise wealth, ameliorates or even rid off with resources leakage, alive economic animosity on the ghetto core and, at the last extent, end up with the prevailing mechanisms of reproduction of ghetto conditions. Tax reductions on enterprises establishing on the targeted area, channelizing capital resources from private banks or public agencies through loans to community development corporations aimed to the attraction of new enterprises, ensuring a market for ghetto enterprises through public purchases by city government, or the creation of inner-ghetto minority owned banks aiming to foster internal flow of capital which can avoid the outward flow of ghetto savings or just provide businesses assessment services are a bunch of policies following this line. At the end, the strategy to follow is the absolute change of existing economic relationships with the rest of the city through the creation of enterprises that provides jobs to the ghetto, attracting capital investment from outside and producing for outside markets.

However, there are some clear limitations on these policies, concerning the original nature of fund resources, which come from outsiders taxpayers, who benefit from the maintenance of low-wage pool of workers inside the ghetto. In addition, drains of income ensured by the current ghetto dynamics provides huge direct profits to a part of the population, as absentee landlords, criminal tycoons, etc. And this benefited groups usually possess a high degree of political pressure power.

Therefore, almost all academics hereby cited agree on the necessity of proactive participation coming from the same ghetto community on its own prosperity, both in the design and participation in the programs as in the creation of strong groups of public pressure that may influence on city hall political decisions.

5.3 LEADERSHIP ROLE OF MINORITY COMMUNITY, CREATIVE INDUSTRIES AND THE BEDFORD-STUYVESANT EXAMPLE OF SUCCESS

It is clear that, like every individual search proactively for its own prosperity, communities as an indivisible unit of study should play a committed role on the prosecution of its own economic and social thrive. One must not just wait for the holly manna that will improve its already provided situation of misery and deployment. Therefore, if ghetto communities want to be heard, to have a voice on city hall decision making process and want to experience the fruits of effective and fair public policies, they must to organize and take care of the issues of their house. And this is a very important key on the success of all previously exposed politics which can erode the economic mechanisms of ghetto reproduction.

In addition, ghetto communities might be given the opportunity to contribute on the design of those policies, since they know what is really necessary to be targeted in each residential situation. It is necessary to attain a proactive role on the application and design of the development programs. "The structure of public welfare and social service agencies undercut autonomous behavior by poor people, fostering dependency on institutions that are out of the poor's control." (McGahey, 1986: 255)

But it is likely that ruling classes are not going to easily transfer decision capacities to minorities since they are clearly benefiting from the already created exploitative economic relationships, killing all expectations on social change. And it is here where social upheaval enters into action. Ghetto organized groups have the capacity to wake up the oppressed and move them to claim against the situation, through the achievement of political pressure groups or just by virtue of pure riots, which has been recorded to be effective on the expansion antipoverty and development programs (Harrison, 1974). However, the current XXI century socio-economical reality of big cities, where ghetto are more prone to appear, is characterized by what the sociologist Saskia Sassen calls the "Global City", a reality on which cities, through improvements on information technologies and the financialisation phenomena, compete between themselves in an international game of capital and investment attraction, may provide ghettos an alternative source of social upheaval from traditional pressure and violent tactics. On this new world where urban marketing is a key strategy, ghettos indirectly see how its multiethnic nature supposes the greatest strata to develop a so valuable industry that gives added attractiveness to the city, and this industry is the creative sector. Developing this sector, ghettos will acquire a extremely efficient kind of soft power, the capacity to attract without imposition but by virtue of pure interest and curiosity, that would give them the final capacity to make pressure on city priorities.

Music, cinema, performance, fashion... All these disciplines are a method of expression, a voice to transmit a message, a message of oppression and willingness to prosper, such an effective channel through which encouraging engagement and understanding around development issues. Ghettos have been providing great artists and professionals on the creative industries without having to much resources invested on this sector. They already have a rich field of knowledge and human capital on the area. Just by channelizing the little necessary extra physical capital to these sector, the whole community will lift the bottom up and encourage a prosperous, vibrant and sustainable community for all (Todd, 2010). Creative and cultural sector, besides, has a multiplier economic effect, since it contributes to the innovation of other sectors of the economy, it is a catalyst for attracting tourism, gives an extra employment source and has significant impacts on social regeneration and cohesion. And this is an extreme key on the removal of inside conditions for undesirable ghetto conditions reproduction, since it has the capacity to provide both socio-economic development to rid off with exploitative practices from outsiders and social identity to the ghetto which creates the necessary informal social controls to finish with bad promotion criminality. However, as all suggested policies, it has it B-side. They can fall on the mercantilization and commodification of culture may erode the authenticity of ghetto creative industry, reducing its attractiveness and added value, exhausting with the capacity of change, and can provoke a effect of gentrification of the neighborhood if a massive inflow of new affluent people move to this new trendy area of the city, raising housing and living prices, and the local community is not taking into account.

Finally, I would like to introduce the example of the neighborhood of Bedford-Stuyvesant on Brooklyn as a quick illustration and empirical observation of all that has been exposed so far. This neighborhood was one of the greatest community of blacks, Italians and Jewish in the metropolitan area of NYC, communities which belonged to working classes, providing low-skill labor force to industries. During the whole past century, it presented all ghetto characteristics: high levels of unemployment, persistence of crime, racial tensions... However, at the late 80s-90s, a process of both enhance of sense of community by the creation of active community organizations, as the Weeksville community, and the migration of young artists from Manhattan to the neighborhood searching from lower housing rents triggered the creative revolution that would lead into a complete socio-economical change that modified previous established ghetto role with the city to a successful creative and tourism hub. Thanks to this, nowadays Bedford-Stuyvesant community experiments the fruits of a good development plan, where its citizens enjoy for greater income, greater access to jobs, more possibilities for movement around the city, a greater effective demand inside the ghetto that builds a an attractive market for other kind of businesses, both community and non-community owned, with a decline of ghetto exploitative business practices and the

breakdown of the barriers between the ghetto and the rest of the community, leading to the desired prosperous neighborhood created by prosperous individuals.

6.CONCLUSIONS AND POTENTIAL STUDY PATHS

Some final conclusion can be withdrawn from all along this paper. First of all, ghettos are conceived as geographical enclaves inside the city, where poverty and racial misfits are forced to live in, arising from a different combination of historical, economic, cultural and socio-political segregation factors.

Second, these segregating factors contribute to build up an special network of economic relationship between the ghetto and the rest of the city, based on the main characteristics of every ghetto: high unemployment rates, low-wage secondary labor market destiny, inefficient entrepreneurial matrix and local market, and the persistence of crime; incurring this economic relationships in exploitative practices aimed on the drainage of resources from the core of the ghetto to the rest of the city.

Third, its articulations with the rest of the city link together a complex set of mechanisms that reproduce its exploited role on the urban economic game, reinforcing inner conditions which may suppose a key hindrance its possibilities to thrive, conditions that contribute to a self-reproduction circuit of causalities.

Fourth, standard policies carried on by local authorities not only have demonstrated to simply treat pure symptoms of ghetto poverty, but also have contributed to its reinforcement. Policies might target the real roots of the issue, which are the pre-established exploitative economic relationship ghetto-rest of the city.

Five, alternative policies follow the action line on their ability to contribute on modifying the ghetto inner mechanisms of reproduction, walking side by side with a high degree of proactive leadership coming from inside the ghetto, which can change the shrinking and depressed economic environment. Through internal dynamization policies, higher chances of splitting up with the external mechanisms of exploitation and reproduction the neighborhood will have, achieving the desired final outcome of modified socio-economic relationships and prosperity for the community.

When this paper was originally conceived, it was not expected that the issue about research on the ghetto from an economic perspective had this plentiful set of perspectives and challenges at all. This paper is not much than a humble overview on what has been talking about, combined with personal insights on the issue, being useful as a starting point towards future research on the area in question. Once having gather some basic knowledge, new challenges appears in front of us, as at which extent are ghettos and segregation can be also

beneficial for their citizens, breaking up with the preconceived idea of ghetto undesirable outcomes. In addition, the role of the ghetto in the new international arena of global cities, which seek for presenting a renewed attractive face in their pursue of international capital attraction, either as a creative hub or just as undesired bad promotion to change, may be worthy to be further developed. Greater incursions can also be done on theories of inequality which predominate in a broader internationally focused literature and could be extrapolated to the smaller urban universe. The issue presents itself more complex now. And its study may not be purely theoretical and banal: cities gathers the greatest proportion of global population and economic activity, being of an extreme importance cross-sectional studies that may be put in action on the development of policies to pursue the objectives of all urban strategies.

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